

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Stockbridge	County Ingham
Fiscal Year End February 28, 2007	Opinion Date August 15, 2007	Date Audit Report Submitted to State August 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury
4. ☒ ☐ The local unit has adopted a budget for all required funds
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD) If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP)
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission

I, the undersigned, certify that this statement is complete and accurate in all respects

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number 517-788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
		Zip 49203	
Authorizing CPA Signature F. Roger Mack, CPA		License Number 1101020342	

**Village of Stockbridge, Michigan**

Financial Statements  
And Independent Auditors' Report

Year Ended February 28, 2007

## Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	i
Management Discussion and Analysis .....	ii-vii
Government-wide Financial Statements:	
Statement of Net Assets .....	1
Statement of Activities .....	2-3
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	4
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	7
Statement of Net Assets – Proprietary Funds .....	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	9
Statement of Cash Flows – Proprietary Funds .....	10
Notes to Financial Statements .....	11-22
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances Budget to Actual – General Fund and Major Special Revenue Funds .....	23
Other Supplemental Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	25
Major Street Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual .....	26
Local Street Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual .....	27
General Fund:	
Statement of Revenues – Budget to Actual .....	28
Statement of Expenditures – Budget to Actual .....	29
Schedule of Bonded Indebtedness .....	30-33



## Independent Auditors' Report

Members of the Village Council  
Village of Stockbridge  
Stockbridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 23 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Stockbridge's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Stockbridge. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Willis & Jurasek, P.C.*  
Willis & Jurasek, P.C.

August 15, 2007

**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

As management of the **Village of Stockbridge**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2007.

**The Village as a Whole**

The Village's net assets are stable, and in fact, are on the rise. The Village continues to provide primary services to our residents.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public works and community and economic development. the business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-3 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

**Proprietary funds.** The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the Village's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for two major enterprise funds; water, and sewer.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 1-22 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found on pages 25-26 of this report.

**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Stockbridge, assets exceeded liabilities by \$4,682,336 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets, about eight-nine percent (87%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 559,656	\$ 622,584	\$ 283,166	\$ 246,200
Non-Current Assets	<u>1,646,190</u>	<u>1,570,913</u>	<u>5,806,047</u>	<u>5,431,692</u>
Total Assets	<u>2,205,845</u>	<u>2,193,497</u>	<u>6,089,213</u>	<u>5,677,892</u>
Current Liabilities	96,806	81,102	405,693	230,897
Non-current Liabilities	<u>177,843</u>	<u>230,590</u>	<u>2,932,381</u>	<u>2,718,940</u>
Total Liabilities	<u>274,649</u>	<u>311,692</u>	<u>3,338,074</u>	<u>2,922,837</u>
Net assets:				
Invested in capital assets -				
net of related debt	1,423,858	1,297,160	2,637,079	2,519,863
Restricted	-	-	-	-
Unrestricted	<u>507,339</u>	<u>584,645</u>	<u>114,060</u>	<u>235,192</u>
Total net assets	<u>\$1,931,197</u>	<u>\$1,881,805</u>	<u>\$2,751,139</u>	<u>\$2,755,055</u>

**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenues				
Charges for services	\$ 73,335	\$ 71,166	\$ 510,425	\$ 498,034
Operating grants	77,485	78,348	-	-
General revenues				
Property taxes	325,096	306,246	-	-
State-shared revenue	117,124	122,613	-	-
Interest income	12,713	12,472	2,940	5,903
Other	61,892	129,478	28,570	37,709
Transfers	<u>31,658</u>	<u>(1,403)</u>	<u>15,000</u>	<u>59,313</u>
Total revenues	<u>699,303</u>	<u>718,920</u>	<u>556,935</u>	<u>600,959</u>
Program expenses:				
Legislative	56,637	60,641	-	-
General government	207,622	256,690	-	-
Public safety	147,651	130,199	-	-
Public works	177,746	138,009	-	-
Culture and recreation	13,787	18,372	-	-
Other	38,436	56,595	-	-
Interest	11,032	12,373	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>560,851</u>	<u>547,507</u>
Total expenses	<u>649,911</u>	<u>672,879</u>	<u>560,851</u>	<u>547,507</u>
Change in net assets	<u>\$ 49,392</u>	<u>\$ 46,041</u>	<u>\$ (3,916)</u>	<u>\$ 53,452</u>

The Village's net assets continue to remain healthy.

**Governmental Activities**

The Village total revenues have decreased slightly due to decrease in state shared revenues. In the meantime, we are getting a fair rate of return on our investments and every effort is being made to carefully budget our available funds and maintain a stable cash flow.

**Business Type Activities**

The Village's business-type activities consist of the Water and Waste Water Enterprise Funds. The Village provides water and sewer to most all of the Village residents.



**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

**General Fund Budgetary Highlights**

Over the course of the year, approximately quarterly, Village Council amends the budget to take into account events happening during the year.

**Capital Asset and Debt Administration**

At the end of the 2006/2007 fiscal year, the Village has a total investment of capital assets for its governmental and business-type activities as of February 28, 2007 of \$7,452,237, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

Major capital asset events during the current fiscal year included the following:

- Work on water and sewer system improvements of \$528,764.
- Additions to the internal service fund equipment of \$4,900 for a mower.
- Infrastructure improvements of \$124,416

The following table summarizes the fixed assets of the Village as of the current year end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 304,778	\$ 304,778	\$ 79,111	\$ 79,111
Buildings and improvements	78,244	78,244	-	-
Equipment and vehicles	322,189	404,766	18,686	18,686
Infrastructure	1,730,098	1,605,682	-	-
Distribution and collection systems	-	-	7,070,364	4,320,646
Construction in progress	-	-	365,523	2,586,477
Accumulated depreciation	<u>(789,119)</u>	<u>(822,557)</u>	<u>(1,727,637)</u>	<u>(1,573,228)</u>
Net capital assets	<u>\$ 1,646,190</u>	<u>\$ 1,570,913</u>	<u>\$ 5,806,047</u>	<u>\$ 5,431,692</u>

Most of the indebtedness is chargeable to the Business type activities.

The following table summarized the debt outstanding at the current year end.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ -	\$ -	\$3,132,381	\$2,883,940
Installment purchase agreements	51,141	81,590	-	-
General obligation bonds	<u>170,000</u>	<u>190,000</u>	-	-
Net capital assets	<u>\$ 221,141</u>	<u>\$ 271,590</u>	<u>\$3,132,381</u>	<u>\$2,883,940</u>

The Village's total debt increased by \$197,992.

**Village of Stockbridge**  
Management's Discussion and Analysis  
Year Ended February 28, 2007

**Economic Factors and Next Year's Budgets and Rates**

The Village adopted a General Fund budget for the fiscal year 2007-2008 in which planned revenue shows little increase and expenditures with small increases. The revenue budget plans for small decreases in state revenue offset by increases in property taxes. The Village has continued to hold expenditure increases to a minimum to help offset the slow growth in revenues.

**Contacting the Village Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

**Village of Stockbridge**  
**Statement of Net Assets**  
February 28, 2007

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
<b>Assets:</b>				
Cash and investments	\$ 454,905	\$ 167,312	\$ 622,217	\$ 113,838
Receivables	59,199	92,665	151,864	262,237
Other receivable	-	63,189	63,189	-
Internal balances	40,000	(40,000)	-	-
Prepaid expenses	5,552	-	5,552	-
Capital assets, net:				
Not being depreciated	304,778	444,634	749,412	-
Being depreciated	<u>1,341,412</u>	<u>5,361,413</u>	<u>6,702,825</u>	<u>-</u>
Total assets	<u>2,205,846</u>	<u>6,089,213</u>	<u>8,295,059</u>	<u>376,075</u>
<b>Liabilities:</b>				
Accounts payable	44,404	101,455	145,859	-
Accrued expenses	6,427	4,462	10,889	208,182
Accrued interest	2,037	36,587	38,624	-
Other debt related liability	-	63,189	63,189	-
Deferred revenue	640	-	640	-
Noncurrent liabilities:				
Due within one year	43,298	200,000	243,298	-
Due in more than one year	<u>177,843</u>	<u>2,932,381</u>	<u>3,110,224</u>	<u>25,652</u>
Total liabilities	<u>274,649</u>	<u>3,338,074</u>	<u>3,612,723</u>	<u>233,834</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	1,423,012	2,573,890	3,996,902	-
Unrestricted	<u>507,339</u>	<u>177,249</u>	<u>684,588</u>	<u>142,241</u>
Total net assets	<u>\$ 1,930,351</u>	<u>\$ 2,751,139</u>	<u>\$ 4,681,490</u>	<u>\$ 142,241</u>

See Notes to Financial Statements.

Village of Stockbridge  
Statement of Activities  
Year Ended February 28, 2007

Functions/Programs	Program Revenues			Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
Governmental activities:				
Legislative	\$ 56,637	\$ -	\$ -	\$ (56,637)
General government	207,622	33,658	-	(173,964)
Public safety	147,651	705	-	(146,946)
Public works	174,746	38,972	77,485	(58,289)
Highways and streets	-	-	-	-
Culture and recreation	13,787	-	-	(13,787)
Other	38,436	-	-	(38,436)
Interest on long-term debt	11,032	-	-	(11,032)
Unallocated depreciation	-	-	-	-
Total governmental activities	<u>649,911</u>	<u>73,335</u>	<u>77,485</u>	<u>(499,091)</u>
Business-type activities:				
Water	163,549	170,653	-	7,104
Sewer	<u>397,302</u>	<u>339,772</u>	-	<u>(57,530)</u>
Total business-type activities	<u>560,851</u>	<u>510,425</u>	-	<u>(50,426)</u>
Total primary government	<u>\$ 1,210,762</u>	<u>\$ 583,760</u>	<u>\$ 77,485</u>	<u>\$ (549,517)</u>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 383,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(383,146)</u>

continued..

Village of Stockbridge,  
Statement of Activities (Continued)  
Year Ended February 28, 2007

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	Activities	Activities	Total	Development Authority
Changes in Net Assets:				
Net (expenses) revenues	\$ (499,091)	\$ (50,426)	\$ (549,517)	\$ (383,146)
General revenues:				
Property taxes	325,096	-	325,096	276,923
Unrestricted grants and contributions	117,124	-	117,124	-
Interest and investment earnings	12,713	2,940	15,653	2,596
Other revenues	61,892	28,570	90,462	37,803
Transfers - internal activities	31,658	15,000	46,658	(46,658)
Total general revenues and transfers	548,483	46,510	594,993	270,664
Changes in Net Assets	49,392	(3,916)	45,476	(112,482)
Net Assets - Beginning of Year	1,881,805	2,755,055	4,636,860	254,723
Net Assets - End of Year	\$ 1,931,197	\$ 2,751,139	\$ 4,682,336	\$ 142,241

Village of Stockbridge  
Balance Sheet  
Governmental Funds  
February 28, 2007

	General	Major Street	Local Street	Other Nonmajor Governmental Funds	Total
<u>Assets</u>					
Cash	\$ 149,285	\$ 42,697	\$ 115,501	\$ 110,442	\$ 417,925
Receivables:					
Accounts receivable	7,741	-	-	-	7,741
Due from other governmental units	37,465	9,978	4,015	-	51,458
Due from other funds	40,000	-	-	-	40,000
Prepaid expenditures	5,552	-	-	-	5,552
Total assets	<u>\$ 240,043</u>	<u>\$ 52,675</u>	<u>\$ 119,516</u>	<u>\$ 110,442</u>	<u>\$ 522,676</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 18,131	\$ 25,703	\$ -	\$ -	\$ 43,834
Salaries payable	6,259	-	-	-	6,259
Accrued expenditures	168	-	-	-	168
Deferred revenue	-	-	-	640	640
Total liabilities	<u>24,558</u>	<u>25,703</u>	<u>-</u>	<u>640</u>	<u>50,901</u>
Fund Balances:					
Reserved:					
Prepaid expenditures	5,552	-	-	-	5,552
Perpetual care and endowment	-	-	-	108,728	108,728
Unreserved;undesignated	209,933	26,972	119,516	-	356,421
Unreserved;undesignated- reported in nonmajor:					
Special revenue funds	-	-	-	1,074	1,074
Total fund balances	<u>215,485</u>	<u>26,972</u>	<u>119,516</u>	<u>109,802</u>	<u>471,775</u>
Total liabilities and fund balances	<u>\$ 240,043</u>	<u>\$ 52,675</u>	<u>\$ 119,516</u>	<u>\$ 110,442</u>	<u>\$ 522,676</u>

See Notes to Financial Statements.

## Village of Stockbridge

### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets February 28, 2007

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>471,775</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	2,435,309
Accumulated depreciation is		<u>(789,119)</u>
		1,646,190
Internal service funds are used by management to charge the costs of certain equipment usage and administrative costs to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		
Net assets of governmental activities accounted for in the internal service fund		36,410
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(170,000)
Lease payable		(51,141)
Accrued interest		<u>(2,037)</u>
<b>Total Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>1,931,197</u></b>

**Village of Stockbridge**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended February 28, 2007

	General	Major Street	Local Street	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 274,331	\$ -	\$ 50,765	\$ -	\$ 325,096
Licenses and permits	3,337	-	-	-	3,337
Intergovernmental	117,124	55,248	22,237	-	194,609
Charges for services	42,607	-	-	27,391	69,998
Other	48,187	1,124	1,476	5,305	56,092
Total revenues	<u>485,586</u>	<u>56,372</u>	<u>74,478</u>	<u>32,696</u>	<u>649,132</u>
<b>Expenditures:</b>					
Legislative	56,637	-	-	-	56,637
General government	166,419	-	-	38,559	204,978
Public safety	147,294	-	-	1	147,295
Public works	47,893	186,014	31,898	-	265,805
Culture and recreation	13,787	-	-	-	13,787
Debt service:					
Principal payments	-	-	-	20,000	20,000
Interest and fiscal charges	-	-	-	11,158	11,158
Other	37,936	-	-	500	38,436
Total expenditures	<u>469,966</u>	<u>186,014</u>	<u>31,898</u>	<u>70,218</u>	<u>758,096</u>
<b>Revenues Over (Under) Expenditures</b>	<u>15,620</u>	<u>(129,642)</u>	<u>42,580</u>	<u>(37,522)</u>	<u>(108,964)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	42,943	42,943
Operating transfers out	(6,500)	-	-	(4,785)	(11,285)
Total other financing sources (uses)	<u>(6,500)</u>	<u>-</u>	<u>-</u>	<u>38,158</u>	<u>31,658</u>
<b>Net Changes in Fund Balances</b>	9,120	(129,642)	42,580	636	(77,306)
<b>Fund Balances - Beginning of Year</b>	<u>206,365</u>	<u>156,614</u>	<u>76,936</u>	<u>109,166</u>	<u>549,081</u>
<b>Fund Balances - End of Year</b>	<u>\$ 215,485</u>	<u>\$ 26,972</u>	<u>\$ 119,516</u>	<u>\$ 109,802</u>	<u>\$ 471,775</u>

See Notes to Financial Statements



**Village of Stockbridge**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended February 28, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ (77,306)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (36,358)	
Capital outlay	<u>124,416</u>	88,058

Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayment to bond holders		20,000
---------------------------	--	--------

An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Net income from governmental activities in the internal service fund		18,513
--	--	--------

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as expenditures  
in the funds.

Decrease in accrued interest payable on bonds		<u>127</u>
---	--	------------

<b>Change in Net Assets of Governmental Activities</b>		<b><u>\$ 49,392</u></b>
--	--	-------------------------

**Village of Stockbridge**  
Statement of Net Assets  
Proprietary Funds  
February 28, 2007

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Total	Internal Service Fund
<b>Assets:</b>				
Current assets:				
Cash	\$ (22,513)	\$ 58,335	\$ 35,822	\$ 36,980
Accounts receivable	28,834	63,831	92,665	-
Other receivables	63,189	-	63,189	-
Total current assets	<u>69,510</u>	<u>122,166</u>	<u>191,676</u>	<u>36,980</u>
Restricted assets:				
Cash	<u>35,335</u>	<u>96,155</u>	<u>131,490</u>	<u>-</u>
Property, plant and equipment:				
Land	-	79,111	79,111	-
Construction in progress	365,523	-	365,523	-
Main and accessories	-	5,885,614	5,885,614	-
Machinery and equipment	-	18,686	18,686	250,792
Improvements	-	308,105	308,105	-
Water system	876,645	-	876,645	-
Less accumulated depreciation	<u>(361,505)</u>	<u>(1,366,132)</u>	<u>(1,727,637)</u>	<u>(149,736)</u>
Total property, plant and equipment	<u>880,663</u>	<u>4,925,384</u>	<u>5,806,047</u>	<u>101,056</u>
Total assets	<u>985,508</u>	<u>5,143,705</u>	<u>6,129,213</u>	<u>138,036</u>
<b>Liabilities:</b>				
Current liabilities (payable from current assets):				
Accounts payable	59,370	42,085	101,455	570
Accrued expenses	2,360	2,102	4,462	-
Current portion of long-term debt	25,000	175,000	200,000	18,298
Other debt related liability	63,189	-	63,189	-
Accrued interest	4,123	32,464	36,587	-
Due to other funds	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>194,042</u>	<u>251,651</u>	<u>445,693</u>	<u>18,868</u>
Noncurrent liabilities:				
SRF loan payable	266,811	2,270,570	2,537,381	-
Bonds payable	55,000	340,000	395,000	-
Lease payable	-	-	-	32,843
Total noncurrent liabilities	<u>321,811</u>	<u>2,610,570</u>	<u>2,932,381</u>	<u>32,843</u>
Total liabilities	<u>515,853</u>	<u>2,862,221</u>	<u>3,378,074</u>	<u>51,711</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	466,540	2,107,350	2,573,890	49,915
Unrestricted	<u>3,115</u>	<u>174,134</u>	<u>177,249</u>	<u>36,410</u>
Total net assets	<u>\$ 469,655</u>	<u>\$ 2,281,484</u>	<u>\$ 2,751,139</u>	<u>\$ 86,325</u>

See Notes to Financial Statements.

**Village of Stockbridge**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 170,653	\$ 339,772	\$ 510,425	\$ -
Rental income	-	-	-	51,500
Other	140	28,430	28,570	-
Total operating revenues	<u>170,793</u>	<u>368,202</u>	<u>538,995</u>	<u>51,500</u>
<b>Operating Expenses:</b>				
Administration	49,653	37,063	86,716	46,142
Operation and maintenance	-	276,328	276,328	-
Production	19,703	-	19,703	-
Water treatment	24,711	-	24,711	-
Distribution	63,535	-	63,535	-
Total operating expenses	<u>157,602</u>	<u>313,391</u>	<u>470,993</u>	<u>46,142</u>
<b>Operating Income (Loss)</b>	<u>13,191</u>	<u>54,811</u>	<u>68,002</u>	<u>5,358</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	-	2,940	2,940	-
Interest expense	(5,947)	(83,911)	(89,858)	-
Other income (expense)	-	-	-	13,155
Total nonoperating revenues (expenses)	<u>(5,947)</u>	<u>(80,971)</u>	<u>(86,918)</u>	<u>13,155</u>
<b>Net Income (Loss) Before Transfers</b>	7,244	(26,160)	(18,916)	18,513
<b>Transfers In From Other Funds</b>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>Net Income (Loss)</b>	22,244	(26,160)	(3,916)	18,513
<b>Net Assets - Beginning of Year</b>	<u>447,411</u>	<u>2,307,644</u>	<u>2,755,055</u>	<u>67,812</u>
<b>Net Assets - End of Year</b>	<u>\$ 469,655</u>	<u>\$ 2,281,484</u>	<u>\$ 2,751,139</u>	<u>\$ 86,325</u>

See Notes to Financial Statements

**Village of Stockbridge**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended February 28, 2007**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities -</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>Internal</b>
				<b>Service Funds</b>
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers, residents and users	\$ 167,656	\$ 363,307	\$ 530,963	\$ 51,500
Payments to suppliers	(70,430)	(110,388)	(180,818)	(22,176)
Payments to employees	(65,362)	(57,164)	(122,526)	(7,058)
Net cash provided by (used in) operating activities	<u>31,864</u>	<u>195,755</u>	<u>227,619</u>	<u>22,266</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers in	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from borrowing	281,811	131,630	413,441	-
Purchase of capital assets, net	(306,766)	(131,630)	(438,396)	(4,900)
Principal and interest on capital debt	(15,947)	(238,911)	(254,858)	(30,449)
Net cash used by capital and related financing activities	<u>(40,902)</u>	<u>(238,911)</u>	<u>(279,813)</u>	<u>(35,349)</u>
<b>Cash Flows From Investing Activities:</b>				
Other nonoperating income received	-	-	-	13,155
Interest income received	-	2,940	2,940	-
Net cash provided by investing activities	<u>-</u>	<u>2,940</u>	<u>2,940</u>	<u>13,155</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>5,962</u>	<u>(40,216)</u>	<u>(34,254)</u>	<u>72</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>6,860</u>	<u>194,706</u>	<u>201,566</u>	<u>36,908</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 12,822</u>	<u>\$ 154,490</u>	<u>\$ 167,312</u>	<u>\$ 36,980</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 13,191	\$ 54,811	68,002	\$ 5,358
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	21,303	133,106	154,409	17,682
Changes in:				
Accounts receivable	(3,137)	(4,894)	(8,031)	-
Accounts payable	(4,095)	4,174	79	(774)
Accrued expenses	<u>4,602</u>	<u>8,558</u>	<u>13,160</u>	<u>-</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 31,864</u>	<u>\$ 195,755</u>	<u>\$ 227,619</u>	<u>\$ 22,266</u>

See Notes to Financial Statements

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

**Description of Village Operations**

The Village of Stockbridge, Michigan, was incorporated under the provisions of Act of 1895, as amended (General Law Village). The Village operates under a Council form of government and provides various services to its residents in many areas including law enforcement, administration of justice, community enrichment and development and human services. The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

**Reporting Entity**

Generally accepted accounting principles require the reporting entity to include the Village of Stockbridge (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

**Discretely Presented Component Units**

Downtown Development Authority - The Downtown Development Authority (DDA) was formed to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

**Local Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

The government reports the following major proprietary funds:

**Water Fund** – The Water Fund accounts for the activities of the government's water production, purification, and distribution systems.

**Sewer Fund** – The Sewer Fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects)

**Permanent Funds** – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

**Internal Service Funds** – The internal service funds account for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village does not follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2007.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the enterprise funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.



**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Systems and improvements	10 - 50

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources. The Village has determined that the amount of accumulated sick days is immaterial and is not recorded in the government-wide financial statements.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Village of Stockbridge**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2006 had a taxable value of approximately \$32,600,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2006-07 was 10.74 mills for general operations and 2.00 mills for local street.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the Village of Stockbridge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in January, at which time hearings on the budget are scheduled. A Public Hearing is held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

**Village of Stockbridge**  
Notes to Financial Statements

**2. Stewardship, Compliance and Accountability (Continued)**

- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the Village Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**3. Cash and Cash Equivalents**

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Cash and investments	<u>\$ 454,905</u>	<u>\$ 167,312</u>	<u>\$ 622,217</u>	<u>\$ 113,838</u>	<u>\$ 736,055</u>

The breakdown between deposits and investments for the Village are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 735,955
Petty cash and cash on hand	<u>100</u>
Total	<u>\$ 736,055</u>

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, \$536,864 of the Village's bank balance of \$736,864 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**4. Receivables**

Receivables of the governmental activities of the primary government at year end, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 51,458
Other	<u>7,741</u>
	<u>\$ 59,199</u>

**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended February 28, 2007 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 304,778	\$ -	\$ -	\$ 304,778
Total capital assets not being depreciated	<u>304,778</u>	<u>-</u>	<u>-</u>	<u>304,778</u>
Capital assets being depreciated:				
Buildings and improvements	78,244	-	-	78,244
Equipment and vehicles	404,766	4,900	87,477	322,189
Infrastructure	<u>1,605,682</u>	<u>124,416</u>	<u>-</u>	<u>1,730,098</u>
Total capital assets being depreciated	<u>2,088,692</u>	<u>129,316</u>	<u>87,477</u>	<u>2,130,531</u>
Accumulated depreciation:				
Buildings and improvements	63,665	1,100	-	64,765
Equipment and vehicles	284,304	19,582	87,477	216,409
Infrastructure	<u>474,588</u>	<u>33,357</u>	<u>-</u>	<u>507,945</u>
Total accumulated depreciation	<u>822,557</u>	<u>54,039</u>	<u>87,477</u>	<u>789,119</u>
Total capital assets being depreciated - net	<u>1,266,135</u>	<u>75,277</u>	<u>-</u>	<u>1,341,412</u>
Governmental activities capital assets - net	<u>\$1,570,913</u>	<u>\$ 75,277</u>	<u>\$ -</u>	<u>\$ 1,646,190</u>
<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 79,111	\$ -	-	\$ 79,111
Construction in progress	<u>2,586,477</u>	<u>497,154</u>	<u>2,718,108</u>	<u>365,523</u>
Total capital assets not being depreciated	<u>2,665,588</u>	<u>497,154</u>	<u>2,718,108</u>	<u>444,634</u>
Capital assets being depreciated:				
Systems and improvements	4,320,646	2,749,718	-	7,070,364
Machinery and equipment	<u>18,686</u>	<u>-</u>	<u>-</u>	<u>18,686</u>
Total capital assets being depreciated	<u>4,339,332</u>	<u>2,749,718</u>	<u>-</u>	<u>7,089,050</u>
Accumulated depreciation	<u>1,573,228</u>	<u>154,409</u>	<u>-</u>	<u>1,727,637</u>
Total capital assets being depreciated - net	<u>2,766,104</u>	<u>2,595,309</u>	<u>-</u>	<u>5,361,413</u>
Business-type activities capital assets - net	<u>\$5,431,692</u>	<u>\$3,092,463</u>	<u>\$2,718,108</u>	<u>\$5,806,047</u>

**Village of Stockbridge**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 2,644
Public safety	356
Public works	33,357
Capital assets held by the Village's internal service funds are charged to the various functions based on their usage of the assets	<u>17,682</u>
Total depreciation expense – governmental activities	<u>\$ 54,039</u>
Business-Type Activities:	
Sewer	\$ 133,106
Water	<u>21,303</u>
Total depreciation expense – business-type activities	<u>\$ 154,409</u>

**6 Interfund Receivables, Payables and Transfers**

The Village reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 40,000	\$ -
Water Fund	<u>-</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Transfers:</b>		
Cemetery Fund	\$ 11,285	\$ -
Debt Fund	31,658	-
Water Fund	15,000	-
Cemetery Perpetual Care Fund	-	4,785
General fund	-	6,500
Component Unit (DDA)	<u>-</u>	<u>46,658</u>
	<u>\$ 57,943</u>	<u>\$ 57,943</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt**

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Installment purchase					
Agreements	\$ 81,590	-	30,449	51,141	\$ 18,298
Bonds	<u>190,000</u>	<u>-</u>	<u>20,000</u>	<u>170,000</u>	<u>25,000</u>
Bonds	<u>\$ 271,590</u>	<u>\$ -</u>	<u>\$ 50,449</u>	<u>\$ 221,141</u>	<u>\$ 43,298</u>

The following is a summary of the general obligation debt outstanding of the Village as of February 28, 2007:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligation Bonds – Downtown			
Development Authority			
Limited Tax General Obligation			
Downtown Development Bonds,			
Series 1992	6.164 - 6.250	2012	\$ 170,000
Installment purchase			
John Deere Credit - Backhoe	5.25	2010	38,419
Installment purchase			
Ford Motor Lease – Police vehicle	6.65	2009	<u>12,722</u>
			<u>\$ 221,141</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 43,298	\$ 10,800	\$ 54,098
2009	44,359	8,799	53,158
2010	38,484	6,760	45,244
2011	30,000	4,993	34,993
2012	30,000	3,125	33,125
2013	<u>35,000</u>	<u>1,093</u>	<u>36,093</u>
Total	<u>\$ 221,141</u>	<u>\$ 35,570</u>	<u>\$ 256,711</u>

**Village of Stockbridge**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	<u>\$2,883,940</u>	<u>\$ 413,441</u>	<u>\$ (165,000)</u>	<u>\$3,132,381</u>	<u>\$ 200,000</u>

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1989 MI Municipal Revenue Refunding	7.50 - 7.55	2013	\$ 65,000
1989 MI Municipal Revenue Refunding	7.50 - 7.50	2008	40,000
2005 Special Assessment Bonds	3.75 - 4.00	2015	360,000
MI Revolving Loan Fund Program	2.125	2026	281,811
MI Revolving Loan Fund Program	2.500	2023	<u>2,385,570</u>
			<u>\$3,132,381</u>

Annual debt service requirements to maturity on the above business-type bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 200,000	\$ 87,244	\$ 287,244
2009	205,000	81,172	286,172
2010	190,000	74,103	264,103
2011	190,000	68,408	258,408
2012	195,000	62,660	257,660
2013-2017	940,000	227,513	1,167,513
2018-2022	880,000	113,590	993,590
2023-2027	<u>395,570</u>	<u>16,904</u>	<u>412,474</u>
Total	<u>\$3,195,570</u>	<u>\$ 731,594</u>	<u>\$3,927,164</u>

The difference between outstanding balance and annual debt service balance is due to the Michigan Revolving Loan Fund Program, which is an ongoing project for the Village. The entire approved amount is \$345,000. The Village has draws on the Loan of \$281,811 as of February 28, 2007. The above interest amounts are estimates based on the amount for the entire balance when complete of \$345,000.

**8. Retirement System**

**Description of Plan and Plan Assets**

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Village of Stockbridge**  
Notes to Financial Statements

**8. Retirement System (Continued)**

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy and requires a contribution from the employees of 5% of gross wages. The Village is required to contribute at an actuarially determined rate.

**Annual Pension Cost**

For the year ended February 28, 2007, the Village's annual pension cost of \$48,332 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method and the employer contribution amounts which are developed as a level percentage of payroll. Significant actuarial assumptions used include; 8% investment rate of return and projected salary increases of 4.5% per year. Both were determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three-Year Trend Information as of December 31 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual Pension Cost	\$ 24,992	\$ 14,945	\$ 14,558
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	181,159	167,755	165,082
Actuarial Accrued Liability	497,878	471,475	422,774
Unfunded AAL	316,719	303,720	257,692
Funded Ratio	36%	36%	39%
Covered Payroll	166,739	143,367	81,972
UAAL as a Percentage of Covered Payroll	190%	212%	314%

**10. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**11. Contingencies**

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. The ultimate resolution of these matters is not ascertainable at this time. No provision has been made in the financial statements related to these claims.

**12. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Funds, which are individual funds that account entirely for the government's water distribution and treatment and sewage disposal and treatment activities, are segments, and are reported as major funds in the fund financial statements, segment disclosures herein are not required.



## **Required Supplemental Information**

**Village of Stockbridge**  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget to Actual  
General Fund and Major Special Revenue Funds  
Year Ended February 28, 2007

	General Fund			Major Street Fund			Local Street Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>									
Taxes	\$ 279,500	\$ 279,500	\$ 274,331	\$ -	\$ -	\$ -	\$ 44,000	\$ 44,000	\$ 50,765
Licenses and permits	7,500	7,500	3,337	-	-	-	-	-	-
Intergovernmental	119,500	119,500	117,124	50,000	50,000	55,248	22,000	22,000	22,237
Charges for services	39,500	39,500	42,607	-	-	-	-	-	-
Other	89,500	89,500	48,187	900	900	1,124	1,000	1,000	1,476
Total revenues	<u>535,500</u>	<u>535,500</u>	<u>485,586</u>	<u>50,900</u>	<u>50,900</u>	<u>56,372</u>	<u>67,000</u>	<u>67,000</u>	<u>74,478</u>
<b>Expenditures:</b>									
Current operations:									
Legislative	35,620	35,620	56,637	-	-	-	-	-	-
General government	216,230	212,730	166,419	-	-	-	-	-	-
Public safety	182,400	185,300	147,294	-	-	-	-	-	-
Public works	56,550	56,550	47,893	155,400	155,400	186,014	67,000	67,000	31,898
Culture and recreation	11,400	11,400	13,787	-	-	-	-	-	-
Other	33,300	33,900	37,936	-	-	-	-	-	-
Total expenditures	<u>535,500</u>	<u>535,500</u>	<u>469,966</u>	<u>155,400</u>	<u>155,400</u>	<u>186,014</u>	<u>67,000</u>	<u>67,000</u>	<u>31,898</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>15,620</u>	<u>(104,500)</u>	<u>(104,500)</u>	<u>(129,642)</u>	<u>-</u>	<u>-</u>	<u>42,580</u>
<b>Other Financing Sources (Uses):</b>									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	(6,500)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>9,120</u>	<u>(104,500)</u>	<u>(104,500)</u>	<u>(129,642)</u>	<u>-</u>	<u>-</u>	<u>42,580</u>
<b>Fund Balances - Beginning of Year</b>	<u>206,365</u>	<u>206,365</u>	<u>206,365</u>	<u>156,614</u>	<u>156,614</u>	<u>156,614</u>	<u>76,936</u>	<u>76,936</u>	<u>76,936</u>
<b>Fund Balances - End of Year</b>	<u>\$ 206,365</u>	<u>\$ 206,365</u>	<u>\$ 215,485</u>	<u>\$ 52,114</u>	<u>\$ 52,114</u>	<u>\$ 26,972</u>	<u>\$ 76,936</u>	<u>\$ 76,936</u>	<u>\$ 119,516</u>

## **Other Supplemental Information**

**Village of Stockbridge**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2007

	<u>Speical Revenue Funds</u>			<u>Permanent Funds</u>		
	Cemetery Fund	Drug Law Enforcment Fund	1992 Debt Service Fund	Cemetery Flower Fund	Cemetery Perpetual Care Fund	Total
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 1,008	\$ 706	\$ -	\$ 9,671	\$ 99,057	\$ 110,442
Total assets	<u>\$ 1,008</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 9,671</u>	<u>\$ 99,057</u>	<u>\$ 110,442</u>
<b><u>Liabilities and Fund Balances</u></b>						
Liabilities:						
Deferred revenue	\$ 640	\$ -	\$ -	\$ -	\$ -	\$ 640
Total liabilities	<u>640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640</u>
Fund Balances:						
Reserved for perpetual care and endowment	-	-	-	9,671	99,057	108,728
Unreserved:						
Unreserved; undesignated	368	706	-	-	-	1,074
Total fund balances	<u>368</u>	<u>706</u>	<u>-</u>	<u>9,671</u>	<u>99,057</u>	<u>109,802</u>
Total liabilities and fund balances	<u>\$ 1,008</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 9,671</u>	<u>\$ 99,057</u>	<u>\$ 110,442</u>

**Village of Stockbridge**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended February 28, 2007

	<u>Special Revenue Funds</u>			<u>Permanent Funds</u>		
	Cemetery	Drug Law	1992 Debt	Cemetery	Cemetery	
	Fund	Enforcement	Service	Flower	Perpetual	
	Fund	Fund	Fund	Fund	Care	Total
	Fund	Fund	Fund	Fund	Fund	
<b>Revenues:</b>						
Charges for services	\$ 25,455	\$ 705	\$ -	\$ -	\$ 1,231	\$ 27,391
Other	-	2	-	518	4,785	5,305
Total revenues	<u>25,455</u>	<u>707</u>	<u>-</u>	<u>518</u>	<u>6,016</u>	<u>32,696</u>
<b>Expenditures:</b>						
General government	38,429	-	-	130	-	38,559
Public safety	-	1	-	-	-	1
Debt service:						
Principal payments	-	-	20,000	-	-	20,000
Interest and fiscal charges	-	-	11,158	-	-	11,158
Capital outlay	-	-	500	-	-	500
Total expenditures	<u>38,429</u>	<u>1</u>	<u>31,658</u>	<u>130</u>	<u>-</u>	<u>70,218</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(12,974)</u>	<u>706</u>	<u>(31,658)</u>	<u>388</u>	<u>6,016</u>	<u>(37,522)</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	11,285	-	31,658	-	-	42,943
Operating transfers out	-	-	-	-	(4,785)	(4,785)
Total other financing sources (uses)	<u>11,285</u>	<u>-</u>	<u>31,658</u>	<u>-</u>	<u>(4,785)</u>	<u>38,158</u>
<b>Changes in Fund Balances</b>	<u>(1,689)</u>	<u>706</u>	<u>-</u>	<u>388</u>	<u>1,231</u>	<u>636</u>
<b>Fund Balances - Beginning of Year</b>	<u>2,057</u>	<u>-</u>	<u>-</u>	<u>9,283</u>	<u>97,826</u>	<u>109,166</u>
<b>Fund Balances - End of Year</b>	<u>\$ 368</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 9,671</u>	<u>\$ 99,057</u>	<u>\$ 109,802</u>

**Village of Stockbridge**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget to Actual**  
**Major Street Fund**  
**Year Ended February 28, 2007**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
State grants	\$ 50,000	\$ 55,248	\$ 5,248
Interest and rentals	<u>900</u>	<u>1,124</u>	<u>224</u>
Total revenues	<u>50,900</u>	<u>56,372</u>	<u>5,472</u>
<b>Expenditures:</b>			
Highways and streets:			
Construction	110,000	123,516	(13,516)
Maintenance	17,750	43,590	(25,840)
Traffic services	2,500	1,412	1,088
Snow and ice control	11,150	8,963	2,187
Storm sewer	3,500	2,381	1,119
Administration	<u>10,500</u>	<u>6,152</u>	<u>4,348</u>
Total expenditures	<u>155,400</u>	<u>186,014</u>	<u>(30,614)</u>
<b>Net Changes in Fund Balances</b>	(104,500)	(129,642)	(25,142)
<b>Fund Balances - Beginning of Year</b>	<u>156,614</u>	<u>156,614</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 52,114</u>	<u>\$ 26,972</u>	<u>\$ (25,142)</u>

Village of Stockbridge  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Local Street Fund  
Year Ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 44,000	\$ 50,765	\$ 6,765
State grants	22,000	22,237	237
Interest and rentals	<u>1,000</u>	<u>1,476</u>	<u>476</u>
Total revenues	<u>67,000</u>	<u>74,478</u>	<u>7,478</u>
<b>Expenditures:</b>			
Highways and streets:			
Construction	29,980	900	29,080
Maintenance	16,500	14,357	2,143
Traffic services	1,825	620	1,205
Snow and ice control	6,900	7,430	(530)
Storm sewer	3,195	2,439	756
Administration	<u>8,600</u>	<u>6,152</u>	<u>2,448</u>
Total expenditures	<u>67,000</u>	<u>31,898</u>	<u>35,102</u>
<b>Net Changes in Fund Balances</b>	-	42,580	42,580
<b>Fund Balances - Beginning of Year</b>	<u>76,936</u>	<u>76,936</u>	-
<b>Fund Balances - End of Year</b>	<u>\$ 76,936</u>	<u>\$ 119,516</u>	<u>\$ 42,580</u>

Village of Stockbridge  
Statement of Revenues -  
Budget to Actual  
General Fund  
(With Comparative Amounts from the Prior Year)  
Year Ended February 28, 2007

	Budget	Actual	Variance Favorable (Unfavorable)	2006
<b>Revenues:</b>				
Taxes and penalties:				
Property taxes	\$ 279,000	\$ 274,009	\$ (4,991)	\$ 263,589
Penalties and interest on taxes	500	322	(178)	368
Total taxes and penalties	279,500	274,331	(5,169)	263,957
Licenses and permits:				
Business permits	3,000	1,116	(1,884)	3,906
Nonbusiness permits	2,000	1,046	(954)	1,591
Zoning and map review	2,500	1,175	(1,325)	2,915
Total licenses and permits	7,500	3,337	(4,163)	8,412
State grants:				
Sales tax revenue sharing	118,000	115,316	(2,684)	120,801
Liquor tax	1,500	1,808	308	1,812
Total state grants	119,500	117,124	(2,376)	122,613
Charges for services:				
Refuse collection	36,500	38,972	2,472	39,064
Property tax administration fee	3,000	3,635	635	3,603
Total charges for services	39,500	42,607	3,107	42,667
Interest and rentals:				
Interest	2,000	4,808	2,808	5,702
Rentals	16,300	20,387	4,087	23,302
Total interest and rentals	18,300	25,195	6,895	29,004
Other revenue:				
Miscellaneous	71,200	22,992	(48,208)	100,029
Total revenues	\$ 535,500	\$ 485,586	\$ (49,914)	\$ 566,682



**Village of Stockbridge**  
**Statement of Expenditures -**  
**Budget to Actual**  
**General Fund**  
 (With Comparative Amounts from the Prior Year)  
 Year Ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2006</u>
<b>Expenditures:</b>				
Legislative				
Village council	\$ 35,620	\$ 56,637	\$ (21,017)	\$ 60,641
 General government				
President	2,630	1,630	1,000	1,925
Manager	66,500	62,424	4,076	63,900
Clerk	11,900	17,856	(5,956)	11,282
External audit	2,000	1,500	500	2,976
Treasurer	11,900	10,069	1,831	11,306
Building and grounds	115,250	70,771	44,479	126,301
Other	2,550	2,169	381	1,717
Total general government	<u>212,730</u>	<u>166,419</u>	<u>46,311</u>	<u>219,408</u>
 Public safety				
Police	171,000	135,879	35,121	122,430
Zoning	11,400	7,163	4,237	-
Building inspection	2,900	4,252	(1,352)	7,057
Total public safety	<u>185,300</u>	<u>147,294</u>	<u>38,006</u>	<u>129,487</u>
 Public works				
Sidewalks	3,750	750	3,000	2,041
Street lighting	16,800	14,694	2,106	14,777
Refuse collection	36,000	32,449	3,551	35,650
Total public works	<u>56,550</u>	<u>47,893</u>	<u>8,657</u>	<u>52,468</u>
 Culture and recreation				
Veterans Memorial Park	11,400	13,787	(2,387)	18,372
 Other				
Fringe benefits and payroll taxes	33,900	37,936	(4,036)	50,031
 Total expenditures	<u>\$ 535,500</u>	<u>\$ 469,966</u>	<u>\$ 65,534</u>	<u>\$ 530,408</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
General Obligation Bonds  
February 28, 2007

**Governmental - Limited Tax General Obligation  
Bond 1992**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
Augusts 1, 1992	\$ 350,000					
		6.164%	6/1/2006	\$ 20,000		
		6.193%	6/1/2007	25,000	\$ 25,000	\$ 9,778
		6.204%	6/1/2008	25,000	25,000	8,241
		6.214%	6/1/2009	25,000	25,000	6,698
		6.227%	6/1/2010	30,000	30,000	4,993
		6.234%	6/1/2011	30,000	30,000	3,125
		6.250%	6/1/2012	35,000	35,000	1,093
				<u>\$ 190,000</u>	<u>\$ 170,000</u>	<u>\$ 33,928</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Water Fund  
February 28, 2007

**Water Supply and Distribution System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
March 23, 1989	\$ 230,000					
		7.500%	11/1/2006	\$ 10,000		
		7.500%	11/1/2007	10,000	\$ 10,000	\$ 4,893
		7.500%	11/1/2008	10,000	10,000	4,143
		7.500%	11/1/2009	10,000	10,000	3,393
		7.500%	11/1/2010	10,000	10,000	2,642
		7.550%	11/1/2011	10,000	10,000	1,888
		7.550%	11/1/2012	10,000	10,000	1,133
		7.550%	11/1/2013	5,000	5,000	378
				<u>\$ 75,000</u>	<u>\$ 65,000</u>	<u>\$ 18,470</u>

**Michigan Revolving Loan Fund Program  
Series 2006**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
April 25, 2006	\$ 345,000					
		2.125%	4/1/2007	\$ -	\$ 15,000	\$ 6,489
		2.125%	4/1/2008	-	15,000	7,015
		2.125%	4/1/2009	-	15,000	6,696
		2.125%	4/1/2010	-	15,000	6,377
		2.125%	4/1/2011	-	15,000	6,058
		2.125%	4/1/2012	-	15,000	5,739
		2.125%	4/1/2013	-	15,000	5,420
		2.125%	4/1/2014	-	15,000	5,101
		2.125%	4/1/2015	-	15,000	4,782
		2.125%	4/1/2016	-	15,000	4,463
		2.125%	4/1/2017	-	15,000	4,144
		2.125%	4/1/2018	-	20,000	3,825
		2.125%	4/1/2019	-	20,000	3,400
		2.125%	4/1/2020	-	20,000	2,975
		2.125%	4/1/2021	-	20,000	2,550
		2.125%	4/1/2022	-	20,000	2,125
		2.125%	4/1/2023	-	20,000	1,700
		2.125%	4/1/2024	-	20,000	1,275
		2.125%	4/1/2025	-	20,000	850
		2.125%	4/1/2026	-	20,000	425
				<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ 81,409</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2007

Michigan Revolving Loan Fund Program  
Series 2003

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
September 25, 2003	\$ 2,770,000					
		2.500%	10/1/2006	\$ 115,000	\$ -	\$ -
		2.500%	10/1/2007	115,000	115,000	59,612
		2.500%	10/1/2008	120,000	120,000	56,764
		2.500%	10/1/2009	125,000	125,000	53,764
		2.500%	10/1/2010	125,000	125,000	50,639
		2.500%	10/1/2011	130,000	130,000	47,514
		2.500%	10/1/2012	130,000	130,000	44,264
		2.500%	10/1/2013	135,000	135,000	41,015
		2.500%	10/1/2014	140,000	140,000	37,639
		2.500%	10/1/2015	140,000	140,000	34,139
		2.500%	10/1/2016	145,000	145,000	30,640
		2.500%	10/1/2017	150,000	150,000	27,014
		2.500%	10/1/2018	155,000	155,000	23,264
		2.500%	10/1/2019	155,000	155,000	19,390
		2.500%	10/1/2020	160,000	160,000	15,514
		2.500%	10/1/2021	165,000	165,000	11,514
		2.500%	10/1/2022	170,000	170,000	7,390
		2.500%	10/1/2023	125,570	125,570	3,139
				<u>\$2,500,570</u>	<u>\$2,385,570</u>	<u>\$ 563,215</u>

**Village of Stockbridge**  
Schedule of Bonded Indebtedness  
Sewer Fund  
February 28, 2007

**Sanitary Sewage Collection and Treatment System Revenue Refunding Bond  
Series 1989**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
March 23, 1989	\$ 315,000					
		7.500%	11/1/2006	\$ 25,000		
		7.500%	11/1/2007	20,000	\$ 20,000	\$ 3,000
		7.500%	11/1/2008	20,000	20,000	1,500
				<u>\$ 65,000</u>	<u>\$ 40,000</u>	<u>\$ 4,500</u>

**Special Assessment Bonds  
Series 2005**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
September 29, 2005	\$ 375,000					
		3.750%	9/1/2006	\$ 15,000	\$ -	
		3.750%	9/1/2007	40,000	40,000	\$ 13,250
		3.750%	9/1/2008	40,000	40,000	11,750
		3.750%	9/1/2009	40,000	40,000	10,250
		3.750%	9/1/2010	40,000	40,000	8,750
		4.000%	9/1/2011	40,000	40,000	7,200
		4.000%	9/1/2012	40,000	40,000	5,600
		4.000%	9/1/2013	40,000	40,000	4,000
		4.000%	9/1/2014	40,000	40,000	2,400
		4.000%	9/1/2015	40,000	40,000	800
				<u>\$ 375,000</u>	<u>\$ 360,000</u>	<u>\$ 64,000</u>



To the Village Council  
of the Village of Stockbridge

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Stockbridge as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2007-1: The management of the Village is able to produce internal financial statements which allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112, which became effective this year.

2007-2: Due to the limited personal in the accounting department, the Village lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. The Village should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

2007-3: While many improvements have been made in the area of audit adjustments, we still made journal entries that were material adjustments to the financial statements. This again is considered a material weakness under SAS 112, which became effective this year.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2007-1 and 2007-3 to be material weaknesses.

This communication and the attached memorandum is intended solely for the information and use of management, the Village Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Willis & Jurasek, P.C.*  
Willis & Jurasek, P.C.

August 15, 2007

Village of Stockbridge  
Comments and Recommendations.  
Year Ended February 28, 2007

Budget

Public Act 621 requires budget amendments prior to actual expenditures being made if expenditures exceed budgeted amounts. During the year, the Village had certain actual amounts that exceeded the budget at year end. While the amounts are minor in nature, procedures should be put in place to amend the budget as needed during the year and final budgets approved before year end.

Downtown Development Authority

Tax collections being remitted to the Village by the local Township continues to be a problem. At year end there still is taxes that have not been remitted to the Village for last years captured taxes. We recommend you meet with the local Township officials and try to remedy the situation. You are not receiving your tax money from the Township on a timely basis, which affects cash flow for the DDA.

A reminder that you are limited to the amount of capture of School taxes. You are only allowed to capture these taxes up to the amount of allowable debt and the amount of allowable debt is continuing to decrease as these various debt obligations are paid off.